

## **PURCHASE DISCOUNT**

*Posted 06/29/09*

**If NSP1 funds are used for 99% of the appraised value can the other 1% be paid with another source of funds?**

No. The statutory requirement under HERA is that any purchase of a foreclosed upon home or residential property shall be at a discount from the current market appraised value of the home or property.

*Posted 06/17/09*

**How does the NSP1 Bridge Notice impact the purchase discount requirements for NSP1 funding?**

The primary ways that the purchase discount requirements are impacted include:

- elimination of the aggregate purchase discount for NSP1 acquisitions of foreclosed upon homes or residential properties.
- reduction of the minimum individual discount requirement to 1%.

*Posted 10/31/08*

**Purchasing units below the market value could further bring down the value of the homes in neighborhoods. To avoid this situation, can NSP1 grantees purchase homes at full price, with seller concessions to achieve the same result of paying less than full price, but the public record shows a market sales price? Likewise when the home is sold to a homebuyer, can NSP1 grantees sell it at market value, offer gifted equity and seller concessions so that the homebuyer does not pay more than the amount of the total eligible expenses?**

The HERA legislation requires that homes be purchased at a discount below appraised value. It is difficult to understand how such concessions could be accurately valued to demonstrate compliance with the law. Therefore, HUD does not approve this practice. However, appraisers can account for government actions that depress values in a market; hopefully this will not present undue problems.

**If a property seller does not agree to a purchase discount, can NSP1 grantees use other local funds to buy down the purchase price, thereby creating a purchase discount to comply with the NSP1 purchase discount requirement?**

No. Title III of the Housing and Economic Recovery Act of 2008 requires that any property purchased in whole or in part with NSP1 funds must be purchased at a discount, regardless of the sources of the money.

*Updated 06/17/09*

**How would the purchase discount requirements apply to a bulk purchase of properties?**

Arranging to purchase multiple properties in bulk may help the grantee to meet the 1% individual purchase discount, if those bulk purchase prices were determined using carrying costs & other factors identified in the notice.

*Posted 11/20/08*

**Does the purchase discount apply when an NSP1 grantee provides financing to an eligible individual for the purchase of a home?**

The purchase discount is required for all foreclosed homes acquired in part or in whole with NSP1 funds by the grantee directly or indirectly by individuals receiving NSP1 funding from the grantee.